

**MINUTES OF SPECIAL HIGHWAYS AND
TRANSPORTATION COMMISSION MEETING HELD IN
JEFFERSON CITY. MISSOURI, ON THURSDAY, OCTOBER 24, 2002**

A special meeting of the Missouri Highways and Transportation Commission held on Thursday, October 24, 2002, was called to order at 9:30 a.m. by the Chairman, Mr. Ollie W. Gates. The following members were present: Mr. W. L. (Barry) Orscheln, Vice Chairman, Ms. Marjorie B. Schramm, Mr. Bill McKenna, Mr. James B. Anderson, and Mr. Duane S. Michie.

The meeting had been called pursuant to Section 226.120 of the 2000 Revised Statutes of Missouri, as amended. The Secretary verified that notice of the meeting was posted in keeping with Section 610.020 of the 2000 Revised Statutes of Missouri, as amended.

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Mr. Henry Hungerbeeler, Director of the Missouri Department of Transportation; Mr. Rich Tiemeyer, Chief Counsel for the Commission; and Mrs. Mari Ann Winters, Secretary to the Commission, were present on Thursday, October 24, 2002.

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*"Department" or "MoDOT" herein refers to Missouri Department of Transportation.
"Commission" or "MHTC" herein refers to Missouri Highways and Transportation Commission.*

CLOSED MEETING

The agenda of the closed meeting was posted in keeping with Sections 610.020 and 610.022, RSMo., including the following statutory citations allowing the meeting to be closed:

1. Section 610.021(11), (12) – Specifications for competitive bidding, sealed bids, or negotiated contracts.
2. Section 610.021(1) – Legal actions and attorney-client privileged communications.
3. Section 610.021(3), (13) – Personnel administration regarding particular employees.

The Commission met in the Closed Meeting from 9:00 a.m. until 9:30 a.m.

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The Commission convened in a special session for the purpose of receiving input and providing conceptual direction pertaining to the following issues:

STRATEGIC PLAN

Director Henry Hungerbeeler presented the Strategic Plan recently developed by a team comprised of representatives from senior MoDOT management, a representative of the Federal Highway Administration, and Commissioner Anderson. The group identified the following mission and values.

Mission:

Taking care of and improving Missouri's transportation system.

Values:

- **Accountability** – Honor commitments. Do not make commitments that cannot be kept; accept responsibility for actions.
- **Safety** – Create a safe environment for both the traveling public and MoDOT employees.
- **Service** – Be responsive to customers and put forth best effort to help.
- **Quality** – Provide the best possible value in everything done.
- **Integrity** – Be honest and sincere.

Mr. Hungerbeeler advised that the new strategic plan does not anticipate a change in direction, but does focus on vital key points. He discussed the following three strategic priorities: (1) take better care of the existing system, (2) finish what has been started, and (3) build public trust.

Take Better Care of the Existing System

Mr. Hungerbeeler stated that taking care of the existing system has been deferred too long, resulting in roads and bridge conditions that rank among the worst in the nation. He stated that the public, as well as MoDOT employees, heartily endorse this first strategy as the top priority for MoDOT. Five goals were identified to take care of the existing system.

- Improve safety on the transportation system.
- Improve traffic movement on the state's existing transportation system.
- Improve the condition of the state's roads and bridges.
- Improve maintenance of the state's highway system.
- Champion other modes of transportation (aviation, rail, transit, bike/pedestrian, waterway programs).

Finish What Has Been Started

Two goals were established to address the second strategic priority:

- Deliver construction projects in the Statewide Transportation Improvement Program (STIP) on time and within budget.
- Establish public support for project priorities to complete existing commitments as future resources allow. The following commitments were identified:
 - Unfunded projects approved by the Commission on January 10, 2001, as contingent upon a \$450 million bond financing program in Fiscal Year 2003. The projects were not funded due to a reduced bonding program for 2003. (Reference January 10, 2001; January 4, 2002; and January 23, 2002 Commission minutes.)
 - Corridor projects identified for construction with the 1987 voter approved increase in motor fuel tax (Proposition A) that are still needed.
 - Progress on the 15-year plan corridors, currently under construction, that were identified in conjunction with the 1992 legislative approval of a 6-cent incremental motor fuel tax.

Mr. Hungerbeeler recalled that all members of the current Commission have been unwavering in their commitment to complete all projects in its approved Five-Year Statewide

Transportation Improvement Programs (STIP); he reported that during the past three years, the staff has successfully completed STIP projects within the original estimates. Mr. Hungerbeeler also noted that previous Commission discussions and/or actions have supported a commitment to unfunded 2003 tentative bond financing projects and uncompleted 1987 Proposition A projects.

Build Public Trust

Mr. Hungerbeeler stated that successfully addressing the above two strategic priorities (taking care of the existing system and finishing what has been started) are essential to building public trust. In addition, he briefly discussed each of the following goals to address the Build Public Trust strategic priority:

- Demonstrate responsible use of taxpayers' money.
- Provide greater outreach to the public.
- Be the first and best source of information about MoDOT.
- Improve relationships with employees.
- Improve relationships with stakeholders.
- Improve relationships with elected officials.

Summary

Mr. Hungerbeeler explained that specific strategies and deployment plans will be developed by employee teams to accomplish each of the goals identified above. Related performance measures will also be identified for use in reporting MoDOT progress in meeting its strategic priorities.

Commission Discussion

Commissioner Orscheln stated his agreement with the strategic plan, as presented, but pointed out the goals and objectives need to ensure that the transportation system is viewed and addressed on a statewide basis, ultimately resulting in a transportation system that is consistent in service and condition throughout the state. He cautioned against objectives that may attempt to

balance funding allocations between rural and urban areas, districts, other types of geographic division, or other means.

Commissioner Michie emphasized that performance measures should be developed in a clear, understandable format to assist the staff and news media in their efforts to communicate the information to the public.

Commissioner Anderson reported that he had participated in the strategic planning development process and was pleased with the outcome. He felt the plan was simple, basic, and straightforward, which would allow it to be easily understood and communicated to others.

The Commission expressed concurrence with the Strategic Plan as presented.

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BOND FINANCING PROGRAM

Pat Goff, Chief Operating Officer, recalled that legislation effective May 30, 2000, authorized the Commission to issue bonds in an amount not to exceed \$500 million in any one year from 2002 to 2006, with the total accumulated indebtedness not to exceed \$2.25 billion. Currently the Commission has issued \$650 million worth of bonds and is committed to issuing another \$250 million for the Fiscal Year 2003 bond financing program.

Mr. Goff recalled that as the legislation was deliberated by the General Assembly, it was clear that the intent was to jump-start the highway construction program in anticipation of new revenue. New revenue has not been forthcoming. Mr. Goff reported that with the passage of time, the General Assembly's original intent is becoming less widely known by members of the public and newly elected officials, which has resulted in a lack of understanding about the Commission's conservative position on further bond financing.

The Commission discussed the current bond financing cost, observing that:

1. Currently the annual cost for \$650 million of bonds is \$75 million; annual cost for the \$900 million bond financing program to which the Commission is committed is estimated to be \$100 million.

(Subsequent to the meeting, the staff clarified that currently the annual cost for \$650 million of bonds is \$55 million; annual cost for the \$900 million bond financing program to which the Commission is committed is estimated to be \$75 million.)

2. Each penny of motor fuel tax generates \$30 million for MoDOT's highway program.
3. The legislature is limited to \$75 million per year in revenue enhancements for all state programs.

Commissioner McKenna recalled that the Commission had advised the members of the General Assembly by letter that it would be willing to pursue further bonding if the 2008 sunset provision on the six-cent incremental motor fuel tax was repealed, provided the bonds could be issued at a AA bond rating and provided that doing so would not result in loss of future federal funds due to lack of state matching funds. Mr. Goff responded that eliminating the 2008 sunset provision had increased the debt coverage ratios, which would contribute to retaining a AA bond rating; however, using conservative assumptions, federal funding could be in jeopardy as early as 2008 should the bond financing level be increased to the \$1.2 billion level.

Mr. Goff explained bond financing options that would be available to the Commission that would pledge federal funds rather than state funds and use federal funds to pay the financing costs. He noted that the current economic conditions and the uncertainty of federal funds, as well as state funds, is causing states that have used these bonds to become more cautious. It has also caused rating agencies to look more carefully at these types of bond issues.

Chief Engineer Kevin Keith reminded the Commission that bond financing plans must be submitted to the General Assembly in early January of each year. Should the Commission elect to pursue a bond financing program for Fiscal Year 2004, staff work needs to begin immediately

to prepare a program for Commission consideration and subsequent submittal to the General Assembly in January 2003.

Members of the Commission stated that it would not be financially feasible or fiscally responsible to pursue additional bonding financing given the current state of the economy and resulting state and federal revenue projections, therefore, the members do not intend to pursue a bond financing program for Fiscal Year 2004.

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2004-2008 STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM PROPOSAL

Kevin Keith, Chief Engineer, referred to previous discussions with the Commission pertaining to proposals for allocation of resources. During those discussions, the Commission had expressed considerable interest in meeting previous project commitments, especially those projects that were promised to voters in 1987 when they approved Proposition A to increase the motor fuel tax. In keeping with those discussions, Mr. Keith presented an outcome-based view for accomplishing the following transportation improvements during the 2004-2008 time period.

Of the total funds available,

- \$1.060 billion in sub-allocated funds, funds for other modes, and bond financing debt would be used for those stated purposes.

- \$45 million would be set aside for economic development and cost sharing projects.

- \$1.323 billion would be available for 2002-2006 STIP commitments.

- \$916 million would be available for Proposition A and the unfunded projects in the FY 2003 tentative bond financing program.

- The remainder would be used to take care of the existing system.

Mr. Keith said the above proposal would allow MoDOT to honor its commitments and increase funds to take care of the existing system. However, he highlighted the following complexities involved.

Proposition A Projects

Mr. Keith said that in preparing the above estimates, the staff identified all projects on the original 1987 Proposition A project list that have not been completed and updated their original estimates to include inflation from 1987 to date. While consideration has not been given to project scope, this issue is complex because some Proposition A projects were expanded or upgraded to a higher standard by a subsequent program. He said it would not be financially feasible to deliver the expanded or upgraded projects to meet the Proposition A commitment; therefore, it would be necessary to meet with local representatives of each community where such a project exists to identify a mutually-agreeable means to meet the Proposition A commitment.

Mr. Keith said that while the \$800 million estimate for Proposition A projects included all uncompleted projects, he suspected a number of the projects on the list may no longer be desired by the local areas because subsequent improvements in the region or other circumstances have rendered them no longer in the best interest of Missouri.

Uncompleted STIP Projects

Mr. Keith pointed out that there are a limited number of grading projects in the STIP, but the paving portion of the project is not, which would result in considerable delay before the project could be completed. He anticipated that sufficient funds would be available from the Proposition A category to cover the cost of the paving phase of these projects, and he proposed they be included in the five-year plan. A list of these projects will be sent to the Commission.

Priority Projects

Mr. Keith noted that the Proposition A and tentative bond projects, while certainly needed, would not be the highest ranking priority projects today. He further clarified that low

mileage gaps on major corridor improvements that are not currently on the STIP would not be addressed during 2004-2008 due to the financial constraints of the above proposal.

Taking Care of the Existing System

Mr. Keith clarified that the 10-year system condition goals previously discussed with the Commission would not be possible with the above proposal, because funding available for rehabilitation and reconstruction will be lower than \$518 million per year as previously proposed. Additional work will need to be performed to identify how long it will take to achieve the previous goals with the lower allocation of funds to taking care of the existing system.

Commission Comments and Direction

Commissioner Anderson stated that the proposal appears to address previous Commission discussions about this issue and appears to be in keeping with the strategic plan. He felt the outcome of the proposal would provide a better balance of highway improvement projects and taking care of the existing system than previous proposals. He also noted that the proposal does not assume additional revenue, which, if made available, would provide more opportunities. He suggested the plan be given serious discussion and consideration.

Commissioner Orscheln expressed support for the approach because it places emphasis on meeting commitments. He noted that many of the Condition 3 bridges and sections of poor quality pavement are located in the rural areas. He emphasized that allocation of funding to take care of the existing system must be done in a manner that will result in progressively bringing all roads and bridges in the state to a consistent level of quality.

Mr. Keith stated that distributing the funds for taking care of the existing system in the manner described recently in the October 3, 2002, meeting as Option 3 would accomplish that end.

The Commission directed the staff to explore the concept outlined above by discussing the proposal with employees, transportation stakeholders, and elected officials, as identified in the strategic plan. Commissioner Orscheln beseeched the Commission to consider the proposal as it pertained to desired outcomes without subsequent regard to allocation of funds to specific geographic areas.

This issue will be further considered by the Commission at its December 6, 2002 meeting.

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2002 JOINT COMMITTEE ON TRANSPORTATION OVERSIGHT PREVIEW

Pat Goff, Chief Operating Officer, explained that the annual report to the Joint Committee on Transportation Oversight was due for submittal prior to November 10, 2002, in compliance with Section 21.795, RSMo. He provided a preview of the type of information that will be included in the report and sought the Commission's guidance as noted below.

Financial Statements

Mr. Goff noted that the financial statements will not be completed until the last week in October. After review of the financial statements by the Audit Committee on October 30, 2002, they will be included in the report.

Recommendations for Statutory or Regulatory Changes

Mr. Goff stated that in prior years, the Commission's legislative package had been included in the Recommendations for Statutory or Regulatory Changes section of the report. He said it had been suggested, however, that this section be expanded to include other information to update the members on issues that are related to existing statutory or constitutional provisions.

Mr. Goff said one such item suggested for inclusion in the Recommendations for Statutory or Regulatory Changes section of the report is an update on the bond financing program.

Commissioner Anderson stated, and members of the Commission unanimously concurred, that the 2002 Report to the Joint Committee on Transportation Oversight would provide a good forum and venue to update the elected officials about this issue and initiate discussions on proposed solutions.

Five-Year Statewide Transportation Improvement Program

In keeping with the discussions under “2002-2006 Five-Year Statewide Transportation Improvement Program Amendment,” the Five-Year Statewide Transportation Improvement Program (STIP) portion of the 2002 Report to the Joint Committee on Transportation Oversight will be as approved by the Commission on October 31, 2002. The staff recommended the Commission act on its proposal under “2004-2008 Statewide Transportation Improvement Program” prior to the November 20, 2002, meeting with the Joint Committee in order to advise the Commission of the change in direction for the upcoming five-year period.

The Commission stated its desire to review the staff proposal discussed under “2004-2008 Statewide Transportation Improvement Program” and seek input thereon prior to further consideration. Commissioner Anderson emphasized, however, the importance of providing the Joint Committee on Transportation Oversight with an explanation for not completing a 2003-2007 Five-Year STIP.

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2002-2006 FIVE-YEAR STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM AMENDMENT

Kevin Keith, Chief Engineer, stated that previous staff recommendations to the Commission to delay preparation of the 2003-2007 Statewide Transportation Improvement Program (STIP) to await the outcome of the voter consideration of a motor fuel tax increase, as well as subsequent lack of consensus on a process to identify priorities and allocate resources, have resulted in a lack of staff ability to prepare a 2003-2007 STIP in time for it to be included in the 2002 Report to the Joint Committee on Transportation Oversight. He recommended, therefore, that year 2003 of the existing 2002-2006 STIP be amended to add specific safety and preservation projects that were not identified in the current program and adjust other projects as deemed appropriate by local involvement and/or other circumstances. In addition, year 2007 would be added with the total resources available for the program.

The Commission concurred with the direction proposed by Mr. Keith. Year 2003 of the current 2002-2006 STIP will be amended and presented to the Commission at its meeting on October 31, 2002, for its consideration and subsequent inclusion in the 2002 Report to the Joint Committee on Transportation Oversight.

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SCOPE OF STATE HIGHWAY SYSTEM

Commissioner Michie stated that personal discussions and observations have led him to conclude that there are more miles of state highways than may be appropriate for a state highway system. He noted that recent controversy had arisen in local areas over MoDOT's highway design that focuses on safety at the expense of perceived inconvenience to local residents and business owners. He emphasized the Commission's role to provide highway access across the

state, rather than through cities and towns. He reflected on the possibility of returning roads to local jurisdictions where consensus cannot be reached.

Commissioner Michie asked that the Commission discuss this issue further to determine how to minimize or resolve the controversial issues.

Chief Engineer Kevin Keith will develop information for the Commission's use in future discussions on this matter.

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By unanimous vote of all members present, the meeting of the Commission was adjourned.

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